



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Norman H. Bangerter, Governor
Dee C. Hansen, Executive Director
Dianne R. Nielson, Ph.D., Division Director

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

June 10, 1986

POSTAL EXPRESS MAIL SERVICE
B58658903

Ms. Willene Shumway
W. K. ENTERPRISES
3080 Spanish Trail Drive
Moab, Utah 84532

FILE COPY

Dear Ms. Shumway:

RE: Reclamation Collateral Bonding and Indemnity Agreement,
Small Fry Mine, ACT/037/022, San Juan County, Utah

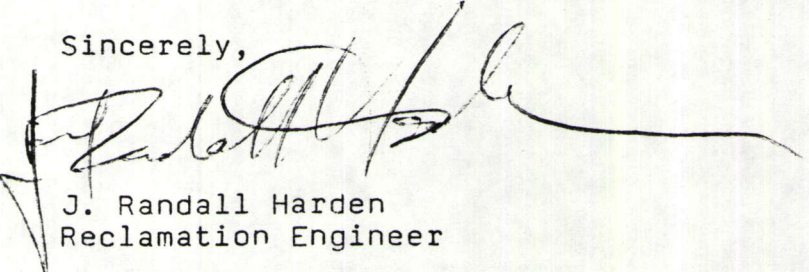
Please find enclosed, the Collateral bonding and Indemnity Agreement for the Small Fry Mine. Page 5 of the form requires your corporate signature and notarization.

Exhibit "A" of the Agreement is a map of the disturbed area. A suitable map of the disturbed area has been provided by the applicant and is sufficient.

Exhibit "B" of the Agreement is the Savings Certificate issued By First Western National Bank to the Division and is currently held by the Division.

Please sign and return the Agreement promptly so we may finalize the bonding agreement by the Board. Thank you for your time and consideration in this matter.

Sincerely,



J. Randall Harden
Reclamation Engineer

jrh
cc: S. Linner
P. Grubaugh-Littig
1011R-89

NONCOAL
(February 1986)

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between W. K. ENTERPRISES (hereinafter referred to as "OPERATOR") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, OPERATOR has obtained Program Permit No. ACT/037/022 (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the Small Fry Mine in San Juan County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, OPERATOR wishes to obtain a bond under 40-8-14(3); and

WHEREAS, OPERATOR has provided a Savings Certificate issued by First Western National Bank (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

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NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, OPERATOR does hereby agree to be held and firmly bonds to the Division for the sum of \$ 19,990.00 (1986 dollars) for the timely performance of reclamation responsibilities for Permit No. ACT/037/022 in lawful money of the United States. By the submission of this Collateral Bonding and Indemnity Agreement will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:

1. OPERATOR shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. ACT/037/022 issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. ACT/037/022 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. ACT/037/022 issued by the Division.

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3. OPERATOR does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of OPERATOR's failure to abide by the term and conditions of the Mining and Reclamation Plan as set forth in Permit No. ACT/037/022 and from any failure to comply with the terms of this Agreement.
4. Upon successful completion of part or all of the obligations secured hereby, OPERATOR may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of OPERATOR under the Act, regulations adopted pursuant thereto and Permit No. ACT/037/022 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release OPERATOR from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.
5. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by OPERATOR, in accordance with the Act and implementing regulations and

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the amount of liability under this agreement may be adjusted upon written agreement between OPERATOR and the Division where it is clearly established that the cost of future reclamation has materially changed.

6. This Agreement may be terminated upon ninety (90) days prior written notice to the Division if terminated by OPERATOR or upon ninety (90) days written notice to OPERATOR if terminated by the Division. Upon such written notification, OPERATOR will have ninety (90) days to obtain an alternate form of bond to secure reclamation obligations for Permit No. ACT/037/022 in the same amount as stated in this Agreement or amendments thereto.
7. Failure to provide a satisfactory alternative form of bond will result in the complete cessation of all mining operations and the complete reclamation of all disturbed areas within the Small Fry Mine permit area.
8. Any breach of the provisions of paragraph #8 of this Agreement will result in the payment of \$ 19,990.00 (bond amount) liquidated damages to the Division.
9. This Agreement will be governed and interpreted according to Utah law.

SO AGREED this 2nd day of June, 1986.

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

By _____

Corporate Officer - Position

STATE OF UTAH, DEPARTMENT OF
NATURAL RESOURCES, DIVISION OF
OIL, GAS AND MINING

By _____

Gregory P. Williams
Board Chairman

APPROVED AS TO FORM:

Assistant Attorney General

STATE OF _____)
COUNTY OF _____) ss:

On the ____ day of _____, 198__, personally appeared
before me _____ and _____ who
being by me duly sworn did say that he/she, the said _____
_____ is the _____ of _____
_____ and said instrument was signed in behalf
of said corporation by authority of its bylaws or a resolution of
its board of directors and said _____
and _____ duly acknowledged to me that said
corporation executed the same.

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

Notary Public

Residing at: _____

My Commission Expires:

STATE OF _____)
COUNTY OF _____) ss:

On the ____ day of _____, 198__, personally appeared before me Dr. Dianne R. Nielson, who being by me duly sworn did say for herself, that she, the said Gregory P. Williams is the Board Chairman of the Division of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and she duly acknowledged to me that said Division executed the foregoing document by authority of law on behalf of the state of Utah.

Notary Public

Residing at: _____

My Commission Expires:
